

RALEIGH-DURHAM AIRPORT AUTHORITY

MINUTES

April 18, 2002

Chairman Gibbs presided. Present: members Clancy; Sparrow; Teer; and Toler. Absent: members Lane; Parker and Winston. Also present: Airport Director Brantley; Deputy Director, Operations Shackelford; Deputy Director, Facilities Engineering & Maintenance Pittman; Deputy Director, Finance, Business & Administration Gill; Administration Director Umphrey; Finance Director Barritt; Senior Program Manager Edmondson; Facilities Engineering Manager Jewett; Parking Manager Scialdone; Maintenance Manager Fulp; Properties & Insurance Officer Quinn; Emergency Services Manager Thompson; Law Enforcement Manager Waters; Information Technology Manager Schiller; Communications Manager Hamlin; Customer Relations Supervisor Kawiecki; Ground Transportation Manager Odom; Ground Transportation Coordinator Nye; Purchasing Officer Thompson; Noise Officer Tovar; Accountant Marion; Purchasing Assistant Edwards; Accounting Technician Schick; Payroll/Benefits Technician Duncan; Environmental/Noise Technician Rebar; Financial Analyst Golden; Training Officer Harleston; Business Development Officer Hairston; Executive Assistant Mitchell and Attorney Tatum.

Guests: Vicki Hyman, The News & Observer; and Steve Cornell, Parsons Transportation Group.

APPROVAL OF AGENDA – There were no changes to the agenda, and it was approved as submitted.

APPROVAL OF MINUTES – There were no changes to the minutes of the March 21, 2002 meeting, and they were approved as submitted.

CHAIRMAN'S COMMENTS – Chairman Gibbs had no comments at this time.

LAW, FINANCE & PERSONNEL COMMITTEE – Chairman Gibbs reported the Committee met on April 18, 2002 and discussed the following items:

1. Staff report on revenues and expenditures relative to the Operating Budget for the fiscal year ended March 31, 2002. Deputy Director, Finance Business & Administration Gill reported on revenues, expenses and the effect on cash for the fiscal year ending March 31, 2002. Total operating expenses for FY 2001-02 are estimated to be approximately \$22 million. The budget, as adjusted, was \$19.3 million, producing an estimated budget overage of approximately \$2.7 million. The major areas of variance were non-capitalization of employee shuttle bus operations; Terminal A janitorial costs; electricity costs; snow removal (which was not budgeted); water and sewer costs; legal fees; supplies; insurance claims; fuel; and aviation security-related expenses (which will be partially offset by a federal grant). Revenues for FY 2001-02 were budgeted at \$57.7 million, while actual revenues are projected to be \$53.4 million, producing a deficiency of \$4.3 million. Areas in which revenues underperformed were rental car percentage rents; parking fees and air carrier landing fees. Assuming a 100% spend down of the capital budget, there remains \$3.7 million of unrestricted cash to accommodate an estimated operating budget adjustment of \$2.3 million. This is in addition to the operating expense reserve currently set at \$26 million for the current fiscal year. The Committee received the report.

2. Consideration of approval of an Amended and Restated Resolution of the Raleigh-Durham Airport Authority Directing the filing of an application with the Local Government Commission for Approval of the issuance of adjustable rate Airport Revenue Bonds in an amount not to exceed \$30,000,000. On February 21, 2002 the Authority adopted a resolution directing the filing of an application with the Local Government Commission for approval of the issuance of taxable, adjustable rate airport revenue bonds to finance the acquisition of certain rights and interests under the lease with American Airlines, Inc. Adoption of an amended and restated resolution is required to direct the filing of an application with the Local Government Commission for approval of the issuance of tax-exempt, adjustable rate airport revenue bonds to finance a portion of the foregoing acquisition and related rehabilitation and to finance capital improvements at the Airport, to address related matters and to make related findings. The resolution reads as follows:

*AMENDED AND RESTATED RESOLUTION OF THE RALEIGH-DURHAM
AIRPORT AUTHORITY DIRECTING THE FILING OF AN APPLICATION WITH THE
LOCAL GOVERNMENT COMMISSION FOR APPROVAL OF THE ISSUANCE OF
ADJUSTABLE RATE AIRPORT REVENUE BONDS IN AN AMOUNT NOT TO
EXCEED \$30,000,000, ADDRESSING CERTAIN RELATED MATTERS AND
MAKING RELATED FINDINGS.*

WHEREAS, the Authority has determined that it is advisable to acquire and purchase certain rights and interests of American Airlines, Inc. ("American") under the Raleigh-Durham Airport Facilities Lease and Use Agreement (the "Lease") dated November 1, 1985, between the Authority, as lessor, and American, as lessee;

WHEREAS, the Authority hereby determines that the acquisition and purchase of such rights and interests under the Lease, which relate to Terminal C, equipment therefor and appurtenant facilities, the fuel farm and appurtenances thereto, and cargo building IV at the Airport (collectively, the "Project"), must be undertaken by the Authority, at a cost of approximately \$27,800,000, including the costs of financing the acquisition, purchase and rehabilitation of the Project;

WHEREAS, except as provided under new leasing arrangements with American, all such rights and interests conveyed to American under the Lease will terminate upon closing of such acquisition and purchase;

WHEREAS, the Authority has also determined that it is advisable to make improvements to the Airport, including planning and/or constructing improvements in connection with Terminal A and Terminal C expansion, Park and Ride Lots 3 and 4, the Authority's new Operation Center and new Maintenance Facility and North Ramp General Aviation Area Redevelopment (the "Improvements");

WHEREAS, the Authority desires to authorize its Chairman, Secretary, Airport Director, Deputy Airport Director and Director of Finance to apply to the Local Government Commission of North Carolina (the "Local Government Commission") for its approval of the issuance of adjustable rate airport revenue bonds in an amount not to

exceed \$30,000,000 (the "Series 2002 Bonds") to pay the cost of (a) acquiring rights under the Lease with respect to Terminal C and equipment therefor and the cargo building and appurtenances with respect to each and rehabilitating such buildings and equipment and (b) planning and/or constructing the Improvements, and to take all other action necessary in connection therewith;

WHEREAS, the Authority has retained First Albany Corporation as financial advisor, LeBoeuf, Lamb, Greene & MacRae, L.L.P. as bond counsel, Moore & Van Allen, PLLC as Authority counsel, and The Bank of New York as trustee, tender and paying agent, and Central Carolina Bank and Trust Company, as co-trustee, in connection with the issuance and sale of the Series 2002 Bonds;

WHEREAS, the Authority has selected UBS PaineWebber Inc. as underwriter and remarketing agent, FGIC Securities Purchase Inc. as liquidity provider and Financial Guaranty Insurance Company as bond insurer, in connection with the Series 2002 Bonds, which are proposed to be issued as tax-exempt, variable rate demand obligations;

WHEREAS, the Authority has considered and evaluated both fixed and variable rate debt alternatives on a tax-exempt basis;

WHEREAS, based on information provided by First Albany Corporation, the Authority determined that the estimated interest rate at which fixed rate debt instruments (with a 15 year maturity) insured by a municipal bond insurance policy could be issued is approximately 5.23%;

WHEREAS, based on information provided by First Albany Corporation, the Authority estimates an average variable interest rate of 1.93% for a municipal bond insurance-backed bond with a fifteen year maturity;

WHEREAS, the Authority considered and recognized that variable interest rate debt instruments expose the Authority to the risk of higher interest rates in the future, and that in addition to the variable interest cost, the Authority must pay the fees of the liquidity facility provider and the remarketing agent, which fees may increase the variable interest cost by approximately 0.275%; and

WHEREAS, in light of present expectations of both fixed and variable interest rate levels, and given the refinancing flexibility (no call premium and no call period protection while in variable rate mode) of variable rate debt, the Authority believes that a variable rate debt financing will result in debt service cost savings over the average life of the Series 2002 Bonds;

NOW, THEREFORE BE IT RESOLVED by the Authority, as follows:

Section 1. That the Chairman, Secretary, Airport Director, Deputy Airport Director and Director of Finance of the Authority are hereby authorized, directed and designated to file an application with the Local Government Commission for its approval of the issuance by the Authority of the Series 2002 Bonds.

Section 2. That the Authority finds and determines and asks that the Local

Government Commission find and determine from the Authority's application and supporting documentation:

- (a) That the issuance of the Series 2002 Bonds is necessary and expedient;*
- (b) That the amount of the Series 2002 Bonds will be sufficient but is not excessive, when added to other money available to the Authority, for the acquisition and purchase of the Lease rights and interests related to the Project, the rehabilitation of the building and equipment therefor and the planning and/or construction of the Improvements;*
- (c) That the acquisition and purchase of the Lease rights and interests related to the Project, the rehabilitation of the buildings and equipment therefor and the construction of Improvements are feasible;*
- (d) That the Authority's debt management procedures and policies are good;*
and
- (e) That the Series 2002 Bonds can be marketed at a reasonable interest cost to the Authority.*

Section 3. *That the retention and selection of First Albany Corporation as financial advisor, LeBoeuf, Lamb, Greene & MacRae, L.L.P. as bond counsel, Moore & Van Allen, PLLC, as Authority counsel, UBS PaineWebber Inc., as underwriter and remarketing agent, FGIC Securities Purchase, Inc., as liquidity provider, The Bank of New York as trustee, bond registrar, tender and paying agent, Central Carolina Bank and Trust Company, as co-trustee, and Financial Guaranty Insurance Company, as bond insurer, in connection with the issuance and sale of the Series 2002 Bonds, is ratified, confirmed and approved in all respects.*

Section 4. *That the Chairman, Secretary, Airport Director, Deputy Airport Director and Director of Finance of the Authority are hereby authorized to do any and all things necessary to effectuate the issuance and sale of the Series 2002 Bonds including to assist in the preparation of an official statement with respect thereto.*

Section 5. *That the Chairman, Secretary, Airport Director, Deputy Airport Director and Director of Finance of the Authority are hereby authorized and directed to request the Board of Commissioners of the County of Wake to approve the issuance of the Series 2002 Bonds after a public hearing.*

Section 6. *That the Local Government Commission is hereby requested to sell the Series 2002 Bonds at private sale and without advertisement in accordance with the provisions of Section 159-123 of the General Statutes of North Carolina.*

Section 7. *That the Authority authorizes and consents to the distribution of an official statement in connection with the offering and sale of the Series 2002 Bonds.*

Section 8. *That this Resolution shall become effective on the date of its*

adoption.

The following reimbursement resolution was introduced:

Reimbursement Resolution

Whereas, the Authority intends to plan and/or construct improvements in connection with Terminal A and Terminal C expansion, Park and Ride Lots 3 and 4, the Authority's new Operations Center and new Maintenance Facility, and North Ramp General Aviation Area Redevelopment (hereinafter collectively referred to as the "Projects") by securing more than \$15 million in financing to cover all or a portion of the estimated cost of the Projects;

WHEREAS, the Authority expects to incur expenses on the Projects prior to that financing;

WHEREAS, the Authority wishes to reimburse itself from the financing proceeds for any expenditures made by the Authority on the Projects prior to the financing.

NOW, THEREFORE BE IT RESOLVED, by the governing body of the Raleigh-Durham Airport Authority as follows:

Section 1. *The Board, which is authorized to declare the official intent of the Authority with respect to matters contained herein, hereby makes the following declaration which is intended to constitute a Declaration of Official Intent to Reimburse from Financing Proceeds Expenditures Made with respect to the Projects:*

- (a) Expenditures to be Incurred. The Authority expects to incur expenditures (the "Expenditures") related to planning and/or constructing improvements in connection with Terminal A and Terminal C expansion, Park and Ride Lots 3 and 4, the Authority's new Operations Center and new Maintenance Facility, and North Ramp General Aviation Area Redevelopment.*
- (b) Plan of Finance. The Authority intends to finance costs of the foregoing planning and/or construction with proceeds of a financing in an amount deemed advisable by the Authority and at least equal to \$15 million (the "Borrowing").*
- (c) Declaration of Official Intent to Reimburse. The Authority hereby declares its official intent to reimburse itself with the proceeds of the Borrowing in an amount not exceeding \$15 million for Expenditures paid prior to the incurrence of the Borrowing.*

Section 2. *This resolution shall take effect immediately upon its passage.*

Member Sparrow made a motion, seconded by Member Teer, to adopt the resolution directing the filing of an application with the Local Government Commission for approval of the issuance of adjustable rate

airport revenue bonds in an amount not to exceed \$30,000,000, addressing certain related matters and making related findings, and to adopt the Reimbursement Resolution. Adopted.

LAND & DEVELOPMENT COMMITTEE – Member Teer reported the Committee met on April 18, 2002 and discussed the following items:

1. Presentation of conceptual plans for proposed new aircraft maintenance and storage hangars to be constructed by Piedmont Hawthorne Aviation and Southern Jet in the North Ramp general aviation area. Representatives of Saied Construction Company and Landmark Builders presented examples of interior décor and exterior siding materials for the proposed aircraft maintenance and storage hangars to be constructed by Piedmont Hawthorne Aviation and Southern Jet. Swatches of interior wall, carpet and flooring samples, in addition to exterior materials, were viewed. An architect's rendering of the facility was used to illustrate size and location of the proposed facilities and adjacent properties. The height of the structures will complement the hangar sight line set by the Progress Energy hangar. The Committee received the report, and no action was required.
2. Presentation of the exterior architectural concept for the proposed New Authority Operations Building, RDU #070369. Kevin Montgomery of O'Brien/Atkins, which is responsible for planning and design of the New Authority Operations Building, provided examples of exterior siding materials and showed a computer generated video clip depicting the completed facility and adjacent parking toll plazas with proposed vehicle traffic patterns. The Committee received the report, and no action was required.
3. Consideration of an Amendment to the Agreement with O'Brien/Atkins Associates, P.A. for architectural and engineering services for New Authority Operations Center, RDU #070369. The Amendment authorizes the consultant to provide Design Development, Construction Document and Bidding Phase Services for design of the structure. The Operations Center is to be a five-story building constructed adjacent to the new parking toll plaza. The building will house Parking, Law Enforcement, Operations, Communications, Security Systems and Ground Transportation functions. Construction phase services will be authorized at a later date. The Amendment will increase the fee for services by \$538,480 from \$208,120 to \$746,600. The Committee recommended approval of the Amendment.
4. Consideration of an Amendment to the Agreement with Hanscomb, Inc. for construction management services for New Authority Operations Building, RDU #070369. The Amendment authorizes the consultant to provide Pre-Construction Phase Construction Management Services during the design of the structure. Services during this phase include evaluation of the program, schedule, and construction budget. Additional services include providing estimates of construction costs, reviewing alternative material and systems, developing construction schedules, pre-qualifying contractors for bidding, and assisting in permitting and bidding of the work. The fee for basic services added by this Amendment is based on hourly rates, not to exceed a total of \$156,212. Reimbursable expenses are based on actual expenses, not to exceed a total of \$21,430. The Committee recommended approval of the Amendment.

Member Teer made a motion, seconded by Member Toler, to approve the recommendations of the Land & Development Committee. Adopted.

GRANT AGREEMENT – At the January 17, 2002 meeting of the Authority, a resolution was adopted authorizing staff to submit an application to the Federal Aviation Administration to obtain an Airport Improvement Program grant in an amount between \$600,000 and \$700,000. The FAA issued the grant offer in response to the Authority's application dated January 17, 2002. The Congress appropriated the funding provided for this grant in order to partially reimburse airports for the additional security operational costs incurred between September 11, 2001 and September 30, 2002. The grant offer is in the amount of \$711,486. If the offer is accepted, the funds should be received by September 30, 2002. The four sponsoring governments also must accept the grant offer. Staff will transmit the grant offer to the governments and request that they take the action necessary to accept the grant. Staff recommended accepting the grant offer.

Member Clancy made a motion, seconded by Member Toler, to accept the grant offer from the Federal Aviation Administration in the amount of \$711,486 for reimbursement of security operational costs incurred between September 11, 2001 and September 30, 2002. Adopted.

AMERICAN EAGLE REQUEST – Noise Officer Tovar reported that on October 18, 2001 the Authority adopted a Limited Exception to the Amended Aircraft Engine Runup Policy and Regulations for American Eagle's Embraer regional jets for the period November 1, 2001 through May 1, 2002. American Eagle has requested that the Authority consider permanent adoption of that Limited Exception. The American Eagle maintenance staff has worked to stay within the guidelines of the Limited Exception by making every effort to complete the runups by midnight. No noise-related complaints have been received as a result of enacting the Limited Exception. Staff recommended permanent adoption of the Limited Exception to the Amended Aircraft Engine Runup Policy and Regulations and that it be applied to all airlines operating 50-or-less seat regional jets at RDU.

Member Clancy made a motion, seconded by Member Toler, to permanently adopt the Limited Exception to the Amended Aircraft Engine Runup Policy and Regulations and apply it to all airlines that operate 50-or-less seat regional jets at RDU. Adopted.

SMART CARTE AGREEMENT – Business Development Officer Hairston reported on the proposed renewal agreement with Smarte Carte Inc. for provision of luggage carts at Terminals A, A-Extension and C and in the terminal area parking lots and garages. The renewal term is May 1, 2002 through April 30, 2007 with no renewal options. The percentage rent is 10% of gross revenues with no minimum guarantee. Currently, the DBE participation is 20% through a joint venture with CLS Management Services, which will continue during this term. The term for the Terminal C cart locations will not commence until the Authority begins operating Terminal C. The renewal agreement phases out the luggage lockers in the terminals, whose use has been prohibited by the Transportation Security Administration. Smarte Carte believes it can address the concerns of the TSA and make any necessary modifications that will allow it to resume luggage locker rental services at RDU in the near future. If Smarte Carte fails to do that by December 31, 2002, the luggage lockers must be removed from the terminals. Staff recommended approval of the renewal agreement.

Member Clancy made a motion, seconded by Member Toler, to renew the Operating Agreement with Smarte Carte Inc. for provision of luggage carts in the terminals and terminal area public parking facilities. Members Clancy, Gibbs, Teer and Toler voted in favor and Member Sparrow voted against the motion.

Due to lack of a majority of the Authority members voting in favor, the motion did not pass. This item will be placed on the agenda of the May 16, 2002 meeting for reconsideration.

WORLD DUTY FREE AGREEMENT TERMINATION – Business Development Officer Hairston reported that World Duty Free Airports (Midwest), Inc. (“World Duty Free”) has requested that it be allowed to terminate its lease with the Authority. The duty free industry has been extremely hard hit by the economic impact of the September 11th terrorist attacks and has experienced a 50% reduction in airport sales. World Duty Free was to have commenced development of facilities at RDU as early as April 2001, but failed to do so. World Duty Free now believes that the post-September 11th duty free market at RDU cannot support its business. The Authority entered into an agreement for a duty free and duty paid retail concession with World Duty Free in September 2000 with a term from January 1, 2001 to December 31, 2005. If World Duty Free’s request to terminate its lease is approved, the Authority will be compensated for lost revenue it should have received during 2001 (approximately \$37,500). Staff recommended termination of the lease.

Member Toler made a motion, seconded by Member Teer, to terminate the lease agreement with World Duty Free pending final legal review. Adopted.

MEMBER COMMENTS/REPORTS – There were no member comments.

GENERAL COUNSEL’S REPORT – Attorney Tatum was attending the ACI-NA Legal Committee meeting in Boston and was unavailable for comments.

AIRPORTDIRECTOR’S REPORT –

- Enplaned passengers for March 2002 totaled 379,272 versus 463,887 for March 2001 for an 18.3% decrease. Year-to-date 2002 enplaned passengers totaled 936,780 versus 1,211,167 for year-to-date 2001 for a 22.7% decrease.
- Deplaned passengers for March 2002 totaled 373,414 versus 470,338 for March 2001 for a 20.6% decrease. Year-to-date 2002 deplaned passengers totaled 943,381 versus 1,240,685 for year-to-date 2001 for a 24.0% decrease.
- Enplaned air cargo for March 2002 totaled 8,247,722 pounds versus 11,417,509 pounds for March 2001 for a 27.8% decrease. Year-to-date 2002 enplaned air cargo totaled 23,587,365 versus 32,931,523 for year-to-date 2001 for a 28.4% decrease.
- Deplaned air cargo for March 2002 totaled 10,537,551 pounds versus 11,387,724 pounds for March 2001 for a 7.5% decrease. Year-to-date 2002 deplaned air cargo totaled 29,131,500 versus 32,836,759 for year-to-date 2001 for an 11.3% decrease.
- Weekday scheduled flight departures for March 2002 totaled 242 versus 318 for March 2001 for a 23.9% decrease.
- Aircraft operations for March 2002 totaled 21,099 versus 25,360 for March 2001 for a 16.8% decrease. Year-to-date 2002 aircraft operations totaled 58,823 versus 73,675 for year-to-date 2001 for a 20.2% decrease.

- The number of vehicles exiting the terminal area public parking lots during March 2002 totaled 166,638 versus 208,060 for March 2001 for a 19.9% decrease. Year-to-date 2002 number of vehicles exiting the terminal area public parking lots totaled 436,604 versus 552,718 for year-to-date 2001 for a 21.0% decrease.
- The number of taxicab trips taken during March 2002 totaled 12,128 versus 12,578 during March 2001 for a 3.6% decrease. Year-to-date 2002 number of taxicab trips totaled 34,332 versus 34,162 for year-to-date 2001 for a .5% increase.
- The airlines' passenger load factors were quite good for March, with the lowest level being 60% on both arriving and departing flights. Load factors ranged as high as 80%. The carriers are doing well filling available seats at RDU.
- Southwest Airlines announced plans to revamp its Terminal A Extension facilities to expand its baggage make up and office areas. Airtran Airways will relocate its operations to the space formerly occupied by Continental Airlines in Terminal A Extension.
- Southwest Airlines has been attempting to expand the security checkpoint in Terminal A Extension to add an additional screening lane. RDU's current interim Federal Security Director has not approved the proposed changes; therefore, it has been difficult to move forward with this much needed customer service project. The necessary electrical work has been completed and the magnetometer and X-ray equipment has arrived, but cannot yet be installed. Regretably, the TSA appears to have far less regard for good customer service than for attempting to standardize the airport security screening checkpoint layout and function. This also is an issue in Terminal C.
- Maui Taco opened April 16th in Terminal C, and business is doing quite well. Airport Director Brantley recommended everyone visit the new food concessions in Terminal A. The new operations are doing substantially better business than the old concessions.
- The FAA hosted an information session at RDU's general aviation facilities last weekend to focus on reducing runway incursions. Quite a few pilots stopped by to enjoy refreshments and obtain flyers provided by the FAA. A Runway Incursion Action Team meeting was held at RDU Center last December 2001. One focus of the meeting was the distribution of information to all pilots and FBO operations about the seriousness of runway incursions, and ways in which to reduce them.
- The Authority was recognized by its insurance provider for the excellence of the driving records of its employees authorized to drive Authority vehicles. The insurance company has 170 Authority driving records on file, of which 102 are completely clear, and only three have been cited for more than one moving violation in the last three years.
- Customer Service & Organizational Support Director Damiano reported that the volunteer ambassadors at RDU recently received three prestigious awards for their volunteer work: The Greater Raleigh Convention and Visitors Bureau Isaac Hunter Award in the Transportation Division; The Governor's Award for Volunteerism (in the category of public safety); and the Wake County Commissioners Award of Volunteerism (also in the category of public safety).

Visitor Services Supervisor Creech and Volunteer Coordinator Watson will attend several banquets in May to receive the awards. RDU has a very strong volunteer program and is very proud of all of its volunteers. The first week of May is National Volunteer Week. Member Toler asked if the volunteers could come before the Authority to be recognized. This will be arranged for the next Authority meeting.

- Customer Service & Organizational Support Director Damiano distributed a training schedule outlining the various courses offered to RDU Authority employees by the Authority training staff. Several Authority members had asked what continuing education opportunities were available to employees.

ADJOURNMENT - There being no further business, Chairman Gibbs adjourned the meeting.

Respectfully submitted,

J. Ray Sparrow, Secretary

CORRECT ATTEST:

Kenneth D. Gibbs, Sr., Chairman